

VZCZCXYZ0000
RR RUEHWEB

DE RUEHKB #0624/01 1840446
ZNY CCCCC ZZH
R 020446Z JUL 08
FM AMEMBASSY BAKU
TO RUEHC/SECSTATE WASHDC 5611
INFO RUCNCIS/CIS COLLECTIVE
RUEHVEN/USMISSION USOSCE 1003

C O N F I D E N T I A L BAKU 000624

SIPDIS

E.O. 12958: DECL: 06/23/2018
TAGS: [PREL](#) [PGOV](#) [PBTS](#) [ENRG](#) [RU](#) [AJ](#)
SUBJECT: AZERBAIJAN'S RELATIONSHIP WITH RUSSIA IN THE LEAD
UP TO MEDVEDEV'S VISIT

REF: BAKU 545

Classified By: Ambassador Anne E. Derse per 1.4(b,d)

¶1. (C) Summary: Russian President Dmitry Medvedev will make his first state visit to Baku on July 3-4, following on the heels of recent stops in Azerbaijan from the head of Gazprom Alexei Miller, Russia's Deputy Foreign Minister Grigoriy Karasin, and Speaker of the Lower House of the Duma Boris Gryzlov. The visit will bring increased focus to Azerbaijan-Russia relations, which remain influenced by both Azerbaijan's perception that Russia supports Armenia in the Nagorno-Karabakh conflict and by Azerbaijan's push to supply gas to Europe. Despite divergent interests on these two key issues, Azerbaijan maintains close relations with Russia. Azerbaijani elites retain connections to their Russian counterparts, and approximately one to two million Azerbaijanis are working in Russia and sending money back home. However, Russian soft power in Azerbaijan appears to be limited, and Russian influence has declined since independence. We believe it is unlikely that the GOAJ will shift its foreign policy significantly with Russia in the near future. End summary.

MEDVEDEV'S VISIT

¶2. (C) Newly elected Russian President Dmitry Medvedev will make his first state trip to Baku on July 3-4. His visit comes on the heels of several other high-ranking Russian officials who were recently in Baku, including the CEO of Gazprom Alexei Miller, Deputy Foreign Minister Grigoriy Karasin, and Speaker of the Lower House of the Duma Boris Gryzlov. Medvedev's visit also comes on the heels of two well-publicized disputes between Russia and Azerbaijan: one over a halted Russian shipment bound for Iran's Bushehr reactor and a second, more important dispute over the OSCE Minsk Group Co-Chairs' "no" vote on Azerbaijan's UNGA resolution regarding Nagorno-Karabakh. A senior MFA official told us that tensions over these two incidents have largely dissipated. The visit by Karasin, for example, was positive and resulted in progress on a long-standing border dispute. This MFA official also told us that although Azerbaijan continued to be "angry and disappointed" by the UNGA vote, it would not get in the way of "normal" relations with Russia. Medvedev's visit will increase focus on Azerbaijan's relationship with Russia and will be closely watched by political commentators for any signs of a shift in Azerbaijan's foreign policy.

A DELICATE BALANCE

¶3. (C) Since the mid-1990s Azerbaijan has pursued a delicate balancing act with Russia, pursuing Euro-Atlantic integration as a means to safeguard its independence while carefully avoiding actions that could unnecessarily provoke its powerful neighbor. For example, while Azerbaijan maintains membership in the CIS, it has assiduously avoided Russian overtures for closer security ties such as through the

Collective Security Treaty Organization (CSTO). Similarly, although privately GOAJ officials will stress that they support increased integration with organizations like the EU and NATO, publicly they often claim that they are satisfied with the current level of cooperation with NATO and are not interested in membership now. The GOAJ has also supported utilizing the Russian-controlled Qabala radar station to ease tensions over missile defense, likely hoping to help bridge differences between the United States and Russia while increasing Azerbaijan's strategic importance.

14. (C) Azerbaijani officials believe that this cautious approach is necessary to protect Azerbaijan's sovereignty and often are privately critical of Georgia's more confrontational approach to Russia. According to one Azerbaijani political analyst who described this balancing act, Azerbaijan always tries to stay a step behind Georgia on issues related to Euro-Atlantic integration, letting the Georgians test the waters in terms of Russia's response. Yet, according to Fariz Ismayilzade of Azerbaijan's Ministry of Foreign Affairs Diplomatic Academy, Baku stands with Tbilisi as it tries to curb Russian dominance of the South Caucasus, and Azerbaijan "puts all of its hopes in Georgia's success" in Euro-Atlantic integration.

NAGORNO-KARABAKH AND ENERGY: POINTS OF FRICTION

15. (C) In discussions on Azerbaijan-Russia relations, most Baku-based political analysts cite Russian support to Armenia and the perception that Moscow works to block resolution of Nagorno-Karabakh as the most serious impediments to improved relations. The GOAJ believes that Moscow benefits from the protracted conflict in NK because it increases Yerevan's reliance on Moscow while simultaneously providing a serious roadblock on Azerbaijan's path to Euro-Atlantic integration. The GOAJ does not consider Russia to be an honest broker in the Minsk Group process, based on the perception that it actively works against a solution and certainly favors Armenia in the negotiations.

16. (C) Energy policy has been a point of dispute between the GOAJ and Russia for over a decade. Since winter 2006-07, Azerbaijan has been independent of Russian gas imports, and President Aliyev is proud of Azerbaijan's ability to not cave into what he publicly referred to as Russian "commercial blackmail." The current friction centers on Azerbaijan's announced desire to export gas to Europe, to include Shah Deniz Phase Two (SD2) gas, which Azerbaijan is working to sell to European markets. However, during his early June visit to Baku, Gazprom CEO Alexei Miller offered to purchase the entire volume of SD2 gas at market prices, which would prevent Azerbaijan from becoming a gas supplier to Europe and obviate the need for the EU-supported Nabucco pipeline. Without a gas pipeline in place to carry Azerbaijani gas to Europe, the likelihood that Azerbaijan would become a transit country for Central Asian gas would also decrease, increasing Russia's hold on the European market and Central Asian supplies. The GOAJ has neither publicly accepted or rejected the Gazprom offer, but its reasons for selling gas are geostrategic. Involved GOAJ officials have told the Embassy that it is unlikely that the GOAJ would sell SD2 gas to Russia, unless Turkey is unwilling to offer transit to Europe. The State Oil Company of Azerbaijan (SOCAR) actively uses the Russian option to pressure Turkey for agreement on gas supply and transit.

17. (C) Rasim Musabayov, a political analyst in Baku, argues that Azerbaijan and Russia might find a way to link the issues of NK and SD2 gas volumes. According to Musabayov, Moscow could pressure Armenia to ease its position on the seven territories surrounding NK in return for a decision by the GOAJ to sell Russia a portion of SD2 gas. The two issues would not be linked publicly, but such a compromise would result in the GOAJ making progress on the NK issue. Musabayov argued that the GOAJ may consider sending 4-5 bcms to Russia because this would enhance Azerbaijan's negotiating position with Turkey and Nabucco partners, while not substantively shifting Azerbaijan's overall Euro-Atlantic

orientation. Russia's linking a NK solution to SD2 gas sales might prove enticing to the GOAJ, especially in a Presidential election year, and the sale of even small volumes of SD2 gas to Russia could well vitiate the viability of the Southern Corridor project. (COMMENT: Given that Azerbaijan sees its gas as primarily a geostrategic commodity to enhance relations with Europe, it is highly unlikely that it would sell anything more than a symbolic amount of SD2 gas to Russia, especially since it is obvious that the purpose of Russia's courtship of SD2 is to strangle the Southern Corridor baby in its crib. However, if the GOT refuses to provide a commercially acceptable gas transit regime to Azerbaijan, if the EU continues to waffle in its strategic outreach to Azerbaijan, and if Russia offers incentives vis a vis NK, the GOAJ might be forced to re-think its options. END COMMENT)

TIES AT THE TOP

18. (C) Despite the disagreements with Moscow over Nagorno-Karabakh and energy, Azerbaijan's political elite have significant ties to Russia dating back to the Soviet period. The details of these personal relationships remain murky to those outside the government, but political analysts suggest that President Aliyev is friendly with a number of wealthy Azerbaijanis that live in Moscow. His daughter, Leyla, is married to the son of an Azerbaijani oligarch that lives in Moscow, and several prominent Azerbaijani businessmen retain dual citizenship. Russian Ambassador to Baku Vasily Istratov often boasts that he mentored many of Azerbaijan's elites - including Presidential Advisor Ali Hasanov - during his days as a professor at Moscow State University. The May visit to Moscow of Presidential Chief of Staff Ramiz Mehdiyev also highlighted the close personal ties between the two countries' elites. According to officials in Azerbaijan's Presidential Apparatus, Mehdiyev had a warm tete-a-tete meeting with Medvedev and was the recipient of Medvedev's first presidential order. According to the Russian DCM in Baku, Mehdiyev and most of his associates in Baku studied with members of the Russian elite and maintain close contacts with Russian officials.

19. (C) Although there is no significant pro-Russian political party in Azerbaijan, analyst Rasim Musabayov notes that the ruling New Azerbaijan Party consists of a number of ex-nomenklatura that "look with Russian eyes," even if they have differing foreign policy interests than their counterparts in Moscow. According to Baku-based political analyst Arif Yunus, this similar outlook is propelling Azerbaijan to follow a similar political path as Russia. Yunus argues that Azerbaijan is beginning to follow the Russian political model, where the ruling party works to limit civil society and drastically weaken the opposition. As the political models in the two countries converge, Yunus believes that the relationship between Moscow and Baku could improve.

ECONOMIC LINKS

10. (C) Bilateral economic links have declined since independence, but Russia remains a significant trade partner. Azerbaijanis continue to cross the border in search of higher wages, with an estimated one to two million Azerbaijani citizens currently working in Russia and sending money back home to Azerbaijan. These workers tend to be from Azerbaijan's rural areas, and they benefit from the common Soviet experience and familiarity with the Russian language. Baku political analyst Arif Yunus argues that this migration is "a serious problem" because it makes Azerbaijan dependent to some degree on Russia. Yusuf pointed to Russia's crackdown on Georgian migration and suggested that such a crackdown on Azerbaijanis could cause even more problems for Baku. In the words of another analyst, Azerbaijanis working across the border "can hate Russia or they can love Russia, but they have to depend on Russia."

RUSSIAN SOFT POWER AND OTHER MECHANISMS OF INFLUENCE

¶11. (C) In early 2007 Russia created a few institutions in Azerbaijan, including a center to provide information on Russian legislation and a CIS democracy and election monitoring group, that appeared to be an attempt to bolster Russian "soft power," designed to improve Russia's image and influence (reftel). President Aliyev also confirmed to the Ambassador that a branch of Moscow State University is opening in Baku. Although it is difficult to measure such things, at least one Baku-based political analyst argues that "Russian soft-power levers are either not effective or are having only a marginal impact." In what was likely a significant blow to Russian soft power, in 2007 Azerbaijan blocked all Russian television broadcasting on public television.

¶12. (C) Polling data indicates that opinions on Russia are polarized in Azerbaijan. According to a survey that political commentator Rasim Musabayov conducts annually, approximately 20 percent of Azerbaijanis considered Russia a friendly country in February 2008, with only Turkey receiving more votes. However, the same poll found that nearly 9 percent of the population considered Russia an enemy, placing it third in this category behind only Armenia and Iran. One political commentator explained the split by arguing that while most Azerbaijanis feel close to the Russian people, they remain deeply suspicious of the Russian government.

¶13. (C) Political commentators frequently claim that Russia exerts influence in Azerbaijan through secret or nefarious means. These charges usually focus on Russian support for a particular party, politician, publication, or ethnic minority, such as the Lezgin population in the north that has links across the border in Dagestan. These claims however are rarely backed with substantive proof, but the fact that they are voiced suggests that Azerbaijanis retain a great amount of respect for Russian power and believe that it is used behind the scenes.

COMMENT

¶14. (C) Russian influence in Azerbaijan has declined since independence, in large part because of Azerbaijan's ability to leverage its oil and gas into increased cooperation with the West and its suspicion of Russia as the former imperial and Soviet center of power. Azerbaijan's self-sufficiency in energy increases its independence from Moscow in comparison to the other states in the South Caucasus. Nagorno-Karabakh and energy remain the key stumbling blocks for any improvement in the Azerbaijan-Russia relationship, and these two issues will likely be the focus of President Medvedev's upcoming trip to Baku.

¶15. (C) The GOAJ is unlikely to pursue a radical shift in its foreign policy to Russia in the near future, maintaining the balance in the relationship while continuing to pursue a favorable resolution in NK and transport of gas to Europe. However, a decision by the GOAJ to sell some SD2 gas to Russia would certainly be a sign of change in the relationship and an indicator that Russia might have offered to use its influence toward solving the NK issue in a manner more favorable to the GOAJ. Given Azerbaijan's deep distrust of Russian policy with respect to NK and equally strong desire to retain its independence and sovereignty, we believe that no shifts in Azerbaijan's foreign policy are likely in the near term.

DERSE